

## **Angel Investor Tax Credit Program**

Adopted as of October 10, 2005, the *Angel Investor Tax Credit Program Act of 2005* (“Act 400”) will enhance the Louisiana entrepreneurial business environment by rewarding qualified individual investors for investing in early stage, wealth-creating businesses. Act 400 has incentives that will expand the economy of the state, enlarge the quality jobs available in Louisiana, and consequently help to retain the presence of the state’s young people.

Qualification for the tax benefits of Act 400 requires that both the entrepreneurial business and the investor(s) meet the following specific certification requirements:

### **“Louisiana Entrepreneurial Business” – Requirements**

A prospective Louisiana Entrepreneurial Business shall submit a business plan that includes all appropriate long and short term forecasts and contingencies of business operations, including research and development, profit (loss) and cash flow projections, and other schedules which will, among other things, document:

- The principal business operations are located in Louisiana including Louisiana as the primary place of employment for the employees of the business;
- The business operates as a person defined as an “employer” within the meaning of the state’s Quality Jobs Rules;
- The number of jobs to be created, and the title and salary ranges of those jobs;
- The business is not primarily engaged in the business of retail sales, real estate, professional services, gaming or gambling, natural resource extraction or exploration, or financial services including venture capital funds;
- The business has a plan or progression through which more than fifty percent (50.0%) of its sales will be derived from outside of Louisiana;
- The amount of investment requested and a Source and Use statement showing that the investment funds will be used for capital improvements, plant and equipment, research and development, working capital for the business, or other business activity approved by LED; and
- The Louisiana Tax Identification Number of the business.

Once it is determined that the applicant business qualifies under the rules outlined above, the Secretary of Louisiana Economic Development will issue a letter certifying the applicant as a Louisiana Entrepreneurial Business. Once the applicant achieves this certification, qualified investors who invest in the

company subsequent to certification are eligible for the Angel Investor Tax Credit.

**NOTE: UNDER NO CIRCUMSTANCES SHALL THE SECRETARY'S CERTIFICATION OF THE APPLICANT AS A LOUISIANA ENTREPRENEURIAL BUSINESS BE CONSIDERED OR IMPLIED TO BE AN ENDORSEMENT OF THE BUSINESS OR ANY INVESTMENT IN THAT BUSINESS, AND THE APPLICANT SHALL SO ADVISE ALL INVESTORS OF THIS FACT.**

### **"Accredited Investor" – Requirements**

To qualify for an angel investor tax credit all of the following qualifications shall be required of each applicant:

- The investment in the Louisiana Entrepreneurial Business must be an investment that is at risk and not secured or guaranteed. "At risk" means that the repayment of the investment is entirely dependent on the success of the Louisiana Entrepreneurial Business;
- The funds invested by the applicant cannot have been raised as a result of other Louisiana tax incentive programs, funds pooled or organized through capital placement agreements for the purpose of equity and venture capital investing unless approved by the Department of Economic Development, or as the result of illegal activity;
- The angel investor(s) cannot be the principal owner(s) of the business who are involved in the operation of the business as a full-time professional activity, nor can their spouses and relatives within the third degree of consanguinity or affinity. Principal owner means one or more persons who own an aggregate of fifty percent or more of the Louisiana Entrepreneurial Business;
- The investment in the Louisiana Entrepreneurial Business by the applicant must be maintained for three years unless otherwise approved by the Department of Economic Development;
- An Accredited Investor shall be defined as:
  - an Angel Pool as determined by the Secretary of Louisiana Economic Development, all of whose participants shall be Accredited Investors;
  - a natural person who has individual net worth, or joint net worth with the person's spouse, that exceeds \$1 million at the time of the investment;
  - a natural person with income exceeding \$200,000 in each of the two most recent years or joint income with a spouse exceeding \$300,000 for those years and a reasonable expectation of the same income level in the current year.

### **The Angel Investor Tax Credit.**

The following rules shall be applicable to investments by Accredited Investors in Louisiana Entrepreneurial Businesses.

- The total angel investor tax credits granted by Louisiana Economic Development in any calendar year shall not exceed \$5 million.
- Tax credits approved by Louisiana Economic Development shall be granted at the rate of fifty percent (50%) of the amount of money invested by the taxpayer in the Louisiana Entrepreneurial Business, which shall not exceed one million dollars per year per business, and two million dollars total per business. The credit will be divided in equal portions for five years.
- In the event the total of all investments in Louisiana Entrepreneurial Businesses in one calendar year under this program exceed ten million dollars, and the total of all credits thereby exceed five million dollars, the Secretary of Louisiana Economic Development shall prorate the total amount of investment and tax credits earned and advise each Accredited Investor of the amount of approved credit for the tax year.
- The approved Accredited Investor taxpayer may earn and apply for and be granted a credit on any income or corporation franchise tax liability owed to the state of Louisiana by the taxpayer seeking to claim the credit, in the amount approved by the Secretary of Louisiana Economic Development.
- The Secretary of Louisiana Economic Development shall provide the approved Accredited Investor with all necessary and appropriate certificates as provided by statute and shall assist the Department of Revenue in its determination of applicability of the credit.

Louisiana Economic Development refers to the Louisiana Secretary of State records to insure a company is registered with the state.

Qualified Accredited Investor investments made during the tax year ending December 31, 2005 must be reported to the Secretary of Louisiana Economic Development on or before January 31, 2006.